Fannie Mae Warns Congress Not to Release Staff Pay Details

Making Information Public On Top 20 Officials Violates Law, Official's E-Mail Said

By JAMES R. HAGERTY and DAWN KOPECKI - The Wall Street Journal

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Fannie Mae is playing hardball in a battle to prevent Congress from releasing information on how much money the mortgage-finance company pays its top 20 executives.

An e-mail from Fannie Mae to staff members of the House Financial Services Committee, sent late last year and recently reviewed by Dow Jones Newswires, said release of the information would violate the Trade Secrets Act and could subject those responsible to "criminal proceedings."

The e-mail also mentioned that Kenneth W. Starr -- a Washington lawyer best known for investigating President Clinton's real-estate dealings and romantic dalliances -- is serving as Fannie's outside counsel on this issue.

Fannie, like other publicly traded companies, releases information on the compensation of its five highest-paid executives in Securities and Exchange Commission filings once a year. The list being sought by the congressional subcommittee contains the top 20 executives.

The confrontation comes at a sensitive time for Fannie, a government-sponsored company charged with pumping money into the housing market. Congress is preparing to renew debate on legislation that would tighten regulation of Fannie and its smaller rival, Freddie Mac. Fannie is determined to avoid legislation that would constrain its growth. Any release of information suggesting that Fannie pampers its top executives could undercut the company's attempts to fend off unwanted restrictions.

Chuck Greener, Fannie's chief spokesman, said the company wants to keep the information under wraps because "we have concerns regarding its privacy as it pertains to those individuals." The information also could help rivals seeking to poach Fannie executives, he said.

Freddie is taking a more relaxed view. A spokeswoman said Freddie considers the pay information confidential but that "it's not an issue we choose to lobby on."

Fannie and Freddie have been subject to much closer scrutiny from Congress since Freddie was forced last year to concede that it had manipulated its earnings to conceal the sharp quarterly fluctuations of its results. Rep. Richard Baker, a member of the House Financial

Services Committee, wrote in October to the Office of Federal Housing Enterprise Oversight, or Ofheo, requesting details on the pay of senior Fannie and Freddie executives. Ofheo, which regulates the two companies, gave the information to the committee.

Shortly after the request was made, Fannie sent an e-mail to the committee staff warning of the possible legal consequences of making the information public and suggesting a meeting between the staff and Mr. Starr. The e-mail was signed DSD, an abbreviation for Duane S. Duncan, a senior vice president at Fannie who handles government relations.

A spokesman for Rep. Baker, (R., La.) declined to comment on the issue.

The pay flap resurfaced last week when Armando Falcon Jr., director of Ofheo, testified at a hearing of the House Subcommittee on Commerce, Trade and Consumer Protection. Mr. Falcon mentioned Ofheo's findings that bonuses at Freddie may have been structured in a way that gave executives an incentive to smooth out earnings gyrations.

In response, Reps. Cliff Stearns (R., Fla.) and **Janice D. Schakowsky (D., Ill.)** asked Mr. Falcon to send them by Monday the same information on compensation that already had been given to the financial-services committee. An Ofheo spokeswoman said the agency will comply.

That request seemed "simple and routine," **Rep. Schakowsky** said in an interview Friday, but she noted that it set off "quite a fire storm." She said she and her staff soon heard from lobbyists for Fannie, arguing the information shouldn't be made public.

The subcommittee will treat the information "in a respectful and sensitive way," Rep. Schakowsky said. After viewing it, she said, she will decide whether it is in the public interest to release the information. Her main concern, she added, is that compensation shouldn't provide "perverse incentives" to manipulate earnings.